



**Alaqua Animal Refuge, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Members of  
Alaqua Animal Refuge, Inc.  
Freeport, Florida

### **Opinion**

We have audited the accompanying financial statements of Alaqua Animal Refuge, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaqua Animal Refuge, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alaqua Animal Refuge, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaqua Animal Refuge, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alaqua Animal Refuge, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaqua Animal Refuge, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

February 29, 2024

**Alaqua Animal Refuge  
Statement of Financial Position**

<i>December 31,</i>	<b>2022</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 538,374
Prepaid expenses	32,935
Investments	1,379,835
Inventory	12,290
Right of use asset	97,254
Property and equipment, net	7,989,236
<hr/>	
Total assets	\$ 10,049,924
<hr/>	
<b>Liabilities and Net Assets</b>	
Accounts payable	\$ 116,335
Accrued expenses	33,245
Lease liability	97,254
<hr/>	
Total liabilities	246,834
<hr/>	
Net assets	
Without donor restrictions	9,657,381
With donor restrictions	145,709
<hr/>	
Total net assets	9,803,090
<hr/>	
Total liabilities and net assets	\$ 10,049,924
<hr/>	

*The accompanying notes are an integral part of these financial statements.*

**Alaqua Animal Refuge, Inc.**  
**Statement of Activities**

<i>For the year ended December 31,</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>
<b>Revenue and Other Support</b>			
Contributions and gifts	\$ 1,199,214	\$ 555,477	\$ 1,754,691
Grants	525,766	-	525,766
Adoption fees	119,430	-	119,430
Investment loss, net	(279,482)	-	(279,482)
Dividend and interest income	80,011	-	80,011
Fundraising	157,184	-	157,184
Other income	14,990	-	14,990
Net assets released from restrictions	919,758	(919,758)	-
<b>Total revenue and other support</b>	<b>2,736,871</b>	<b>(364,281)</b>	<b>2,372,590</b>
<b>Expenses</b>			
<i>Program services</i>			
Animal care and outreach	2,512,995	-	2,512,995
<b>Total program services</b>	<b>2,512,995</b>	<b>-</b>	<b>2,512,995</b>
<i>Supporting services</i>			
General and administrative	442,411	-	442,411
Fundraising	379,440	-	379,440
<b>Total supporting services</b>	<b>821,851</b>	<b>-</b>	<b>821,851</b>
<b>Total expenses</b>	<b>3,334,846</b>	<b>-</b>	<b>3,334,846</b>
Change in net assets	(597,975)	(364,281)	(962,256)
Net assets at beginning of year	10,255,356	509,990	10,765,346
<b>Net assets at end of year</b>	<b>\$ 9,657,381</b>	<b>\$ 145,709</b>	<b>\$ 9,803,090</b>

*The accompanying notes are an integral part of these financial statements.*

**Alaqua Animal Refuge, Inc.**  
**Statement of Functional Expenses**

<i>For the year ended December 31,</i>	<u>Program Services</u>	<u>Supporting Services</u>		<u>2022 Total</u>
	Animal Care and Outreach	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,154,678	\$ 121,743	\$ 103,706	\$ 1,380,127
Payroll taxes	156,720	20,530	17,490	194,740
Advertising and marketing	-	-	217,873	217,873
Animal supplies and medical care	382,545	-	-	382,545
Bank fees	-	26,601	-	26,601
Depreciation	329,950	-	-	329,950
Dues and fees	23,512	-	-	23,512
Fundraising	-	-	40,371	40,371
Insurance	33,802	-	-	33,802
Maintenance	167,195	-	-	167,195
Office	-	168,828	-	168,828
Other	-	64,769	-	64,769
Professional services	149,133	-	-	149,133
Rent	30,000	6,000	-	36,000
Telephone & Internet	33,940	33,940	-	67,880
Utilities	51,520	-	-	51,520
<b>Total</b>	<b>\$ 2,512,995</b>	<b>\$ 442,411</b>	<b>\$ 379,440</b>	<b>\$ 3,334,846</b>

*The accompanying notes are an integral part of these financial statements.*

**Alaqua Animal Refuge, Inc.**  
**Statement of Cash Flows**

<i>For the year ended December 31,</i>	<b>2022</b>
<b>Operating Activities</b>	
Change in net assets	\$ (962,256)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	329,950
Unrealized and realized loss (gain) on investments	279,482
Changes in operating assets and liabilities	
Inventory	(12,290)
Prepaid expenses	6,667
Accounts payable	28,344
Accrued expenses	6,091
<b>Net cash used by operating activities</b>	<b>(324,012)</b>
<b>Investing Activities</b>	
Purchase of property and equipment	(2,256,448)
Sale of investments	2,111,663
<b>Net cash used by investing activities</b>	<b>(144,785)</b>
Net change in cash and cash equivalents	(468,797)
Cash and cash equivalents at beginning of year	1,007,171
<b>Cash and cash equivalents at end of year</b>	<b>\$ 538,374</b>

*The accompanying notes are an integral part of these financial statements.*



## **Alaqua Animal Refuge, Inc. Notes to Financial Statements**

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

Alaqua Animal Refuge, Inc. ("Alaqua") was established April 24, 2007 as a Florida nonprofit organization to advocate the general welfare and humane treatment of animals by providing shelter, prevention of pet overpopulation and adoption services. Alaqua is located in Freeport, Florida and receives financial support primarily through private grants and donations.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to the allocation of functional expenses.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

#### ***Program Services***

Alaqua's program services consist of the following:

*Animal Care and Outreach* – Alaqua provides treatment and shelter to a variety of animals

#### ***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage periods.

## **Alaqua Animal Refuge, Inc. Notes to Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Investments***

Alaqua reports investments in mutual funds with readily determinable fair values and all investments in at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### ***Inventory***

Inventory consists of retail goods offered for sale which are stated at the lower of cost or net realizable value, with the cost determined using the first-in, first-out (FIFO) basis. When evidence exists that the net realizable value of inventory is lower than its costs, the difference is recognize as a loss in the statement of activities in the period in which it occurs.

#### ***Property and Equipment***

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

#### ***Leases***

Alaqua leases land for its operations. Alaqua determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, Alaqua uses its incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Alaqua will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

## Alaqua Animal Refuge, Inc. Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Net Assets***

Alaqua reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of Alaqua, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has not designated any restrictions on net assets without donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

#### ***Revenue Recognition***

Donations, grants, adoption fees, fundraising, and other sources of income are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

## **Alaqua Animal Refuge, Inc.** **Notes to Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

#### ***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries and benefits are allocated based on actual percentages of time spent in each functional area.

#### ***Advertising***

Alaqua uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2022 advertising costs totaled \$217,873.

#### ***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, Alaqua is exempt from taxes on income other than unrelated business income. Alaqua had no net unrelated business income for the year ending December 31, 2022. Thus, the organization has no income tax expense for 2022.

Alaqua utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2022, Alaqua has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. Alaqua believes it is no longer subject to income tax examinations for years prior to 2019.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued February 29, 2024. See Note 13 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Alaqua Animal Refuge, Inc.**  
**Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Alaqua adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, Alaqua recognized on January 1, 2022 [beginning of the earliest comparative period presented or beginning of the year of adoption] a lease liability of \$129,343, which represents the present value of the remaining operating lease payments of \$138,000, discounted using our incremental borrowing rate of 3.5%, and a right-of-use asset of \$129,343.

The standard had a material impact on Alaqua's balance sheets, but did not have an impact on the statement of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

**Note 3: FINANCIAL ASSET AVAILABILITY**

Alaqua maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as Alaqua's expenditures come due. The following reflects Alaqua's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	<b>2022</b>
Financial assets, at year-end	\$ 1,918,209
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(145,709)
Financial assets available to meet cash needs for general expenditures	<u>\$ 1,772,500</u>

Financial assets at year-end as noted in the above schedule exclude prepaid expenses, right of use assets, and property and equipment.

**Alaqua Animal Refuge, Inc.**  
**Notes to Financial Statements**

**Note 4: INVESTMENTS**

Investments in marketable securities consist of the following:

<i>December 31, 2022</i>	<b>Cost</b>	<b>Market Value</b>
Money Market Mututal Fund	\$ 71,535	\$ 71,535
Alternative investments	407,807	452,404
Mutual Funds	944,672	855,896
<b>Total investments</b>	<b>\$ 1,424,014</b>	<b>\$ 1,379,835</b>

**Note 5: PROPERTY AND EQUIPMENT**

The components of property and equipment at December 31, 2022 are as follows:

<i>December 31</i>	Estimated Useful Lives (in years)	<b>2022</b>
Buildings and improvements	15 - 28	\$ 6,659,831
Furniture, Fixtures, Equipment	5 - 7	160,680
Automobiles	5	40,877
		6,861,388
Less accumulated depreciation		(1,012,408)
		5,848,980
Land		579,998
Construction in progress		1,560,258
<b>Property and equipment, net</b>		<b>\$ 7,989,236</b>

Depreciation expense for the year ended December 31, 2022 amounted to \$329,950.

**Alaqua Animal Refuge, Inc.**  
**Notes to Financial Statements**

**Note 6: NET ASSETS**

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	<b>2022</b>
Purpose restricted	
Education grant	\$ 14,560
Expansion	128,908
SNAP	2,241
<hr/>	
Total net assets with donor restrictions	\$ 145,709

**Note 7: REVENUE**

Approximately 95% of Alaqua's revenue consists of contributions, grants, and donated services or assets. These items are not subject to ASC Topic 606. The remaining amount of revenue is primarily investment gains and interest income which are also not subject to ASC Topic 606.

**Note 8: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs, other than quoted prices, that are: observable; or can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Note 8: FAIR VALUE MEASUREMENTS (Continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Equities: Valued at the daily closing price as reported on the active market on which the equities are traded.

Money Market Mutual Fund: Valued at the daily closing price as reported by the fund. This investment held by Alaqua is registered with the SEC and is not FDIC insured. The money market mutual fund is required to publish the daily NAV and to transact at that price which is equivalent to fair value. This investment is deemed to be actively traded and NAV prices readily available on a daily basis.

Mutual Funds: Valued at the daily closing price as reported on the active market on which the mutual funds are traded.

Alternative Investments: Consists of various investments where market pricing is not readily available. Restriction withdrawals apply.

BlackRock Hedge Fund Guided Portfolio Solution invests in unaffiliated hedge funds using a variety of strategies including event-driven, equity hedge, macro, and relative value. The underlying funds are not categorized within the fair value hierarchy. The Fund may from time to time offer to repurchase shares pursuant to written tender offers from shareholders at such terms as the Fund may determine. The Fund is not required to offer to repurchase shares.

Partners Group Private Equity (Master Fund) invests primarily in unaffiliated funds which invest in private equity. A small portion of the portfolio is invested in direct public equity investments which were used as the basis for testing. The Fund has a credit facility available. At management's sole discretion periodic tender offers may be made for repurchase of shares, up to a limit of 5% of outstanding shares in any quarter.

Starwood Real Estate Income Trust, Inc. Fund invest in real estate securities on a global basis. The Fund offers a share repurchase plan whereby shareholders may request monthly that the fund repurchase their shares; the Fund may choose to repurchase none, some or all shares tendered, subject to the share repurchase plan caps of 2% of monthly NAV or 5% of quarterly NAV. Shares tendered for repurchase less than 1 year after purchase will be subject to a 5% redemption fee. Due to the illiquidity of the Fund's holdings, the Fund may lack sufficient liquidity to repurchase shares tendered and may reject repurchase requests.



**Alaqua Animal Refuge, Inc.**  
**Notes to Financial Statements**

**Note 8: FAIR VALUE MEASUREMENTS (Continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Alaqua believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended December 31, 2022:

<i>December 31, 2022</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money Market Mutual Fund	\$ 71,535	\$ -	\$ -	\$ 71,535
Alternative Investments	-	-	452,404	452,404
Mutual Funds	855,896	-	-	855,896
<b>Total investments</b>	<b>\$ 927,431</b>	<b>\$ -</b>	<b>\$ 452,404</b>	<b>\$ 1,379,835</b>

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2022, there were no significant transfers in or out of Levels 1, 2, or 3.

**Note 9: LEASES**

Alaqua has an operating lease for land. The lease has remaining lease terms of 2 to 3 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 2 years. As of December 31, 2022, assets recorded under operating leases were \$97,254.

**Alaqua Animal Refuge, Inc.**  
**Notes to Financial Statements**

**Note 9: LEASES (Continued)**

The components of lease expense consist of the following:

<i>For the year ended December 31,</i>	<b>2022</b>
Operating lease cost	\$ 36,000
Supplemental cash flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 36,000
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 97,254
Weighted average remaining lease term (in years)	
Operating leases	2.83 years
Weighted average discount rate	
Operating leases	3.50%
<i>For the year ending December 31,</i>	Operating Leases
2023	\$ 36,000
2024	36,000
2025	30,000
Total future minimum lease payments	102,000
Less imputed interest	(4,746)
Present value of lease liabilities	\$ 97,254
Reported as of December 31,	2023
Operating lease liabilities - current	\$ 36,000
Operating lease liabilities - noncurrent	66,000
Total	\$ 102,000

**Note 10: CONCENTRATIONS**

Alaqua maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by approximately \$100,000 at December 31, 2022.

## Alaqua Animal Refuge, Inc. Notes to Financial Statements

### **Note 10: CONCENTRATIONS (Continued)**

Alaqua receives the majority of its support from individuals and companies located in the Florida Panhandle. Since Alaqua receives a substantial amount of its support from one geographic area, a significant reduction in the level of this support, if it were to occur, may have an effect on its activities.

Alaqua received approximately 17% of its contribution and gift revenue in the current year from two foundations.

### **Note 11: RELATED PARTY**

*Portland Pastures LLC* - On November 13, 2020, Alaqua renewed a lease agreement with Portland Pastures, which is owned by the President of Alaqua, to lease land utilized for the animal refuge. The lease ends October 31, 2025. The lease agreement requires \$3,000 a month. See Note 9 for additional lease details.

### **Note 12: CONSTRUCTION COMMITMENTS**

In February 2020, Alaqua entered into a construction contract with anticipated costs of approximately \$1.2 million to build a new dog adoption center on the animal refuge. As of December 31, 2022, Alaqua incurred \$1,172,016 of costs related to this project, which is included in construction in progress.

### **Note 13: SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2022, Alaqua entered into three contracts for the construction of bird and animal barn projects and improvements to the education center for an estimated cost of \$169,000. Work on these projects did not start until after year-end and are in progress.